Frank O'Bannon, Governor
State of Indiana

*Indiana Family and Social Services Administration*
402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

John M. Hamilton, Secretary

"People helping people help themselves"

June 28, 2002

Larry Reed, Co-Director, Pharmacy Team
Center for Medicaid and State Operations
MS S2-01-16
7500 Security Boulevard
Baltimore, Maryland 21244

Dear Mr. Reed:

It is my pleasure to submit Indiana's Medicaid Section 1115 Waiver application for Phase II of its HoosierRx pharmacy coverage program. Under this waiver, a demonstration would be established which would provide pharmacy coverage for low-income seniors who do not have other pharmacy coverage, and would institute pharmacy benefit management tools that encourage the efficient and effective use of prescription drugs. Costs associated with providing the pharmacy benefit would be offset by a reduction in long-term care and acute care costs associated with diverting individuals from Medicaid. Please refer to the attached Milliman USA report for further details on the cost effectiveness of this application.

Indiana is pleased to have this opportunity to partner with CMS to address this critical health policy issue. Please contact Grace Chandler, Director of the HoosierRx program, or Kelly Lucas, Program Coordinator, at 317-234-1629, if you have any questions or need additional information.

Thank you again for your consideration.

Sincerely,

John Hamilton, Secretary
**VII. Indiana Family and Social Services Administration**

# PHARMACY PLUS

A DEMONSTRATION PROGRAM UNDER SECTION 1115

Created by:


Center for Medicaid and State Operations

NOTE: This application template is pending approval from the Office of Management and Budget and is considered draft.

# PHARMACY PLUS

A DEMONSTRATION PROGRAM UNDER SECTION 1115

## Pharmacy Plus Application

**The State of Indiana, Family and Social Services Administration proposes an 1115 Demonstration Proposal entitled HoosierRx, which will extend pharmacy services and related medical management interventions to Medicare beneficiaries.**

## I. GENERAL DESCRIPTION

**The State of Indiana requests a "Pharmacy Plus" Section 1115 Demonstration Waiver for Phase II of its HoosierRx prescription drug program. This program provides a prescription drug benefit to low-income seniors who do not have health insurance that includes pharmacy coverage.**

**The use of prescription drugs to manage disease is a key method for improving health. It has also been estimated that dollars spent on pharmaceutical coverage result in significant reductions in acute care and long-term care costs. Unfortunately, however, the financial strain the cost of prescription drugs places on seniors may necessitate that essential medications are not taken as clinically recommended.**

**The lack of prescription drug coverage for the elderly, and the effect the lack of such a benefit has on the health status of seniors and the cost of health care, is one of the most critical health policy issues facing the nation. And, this problem will continue to escalate as the number of older individuals continues to grow.**

**Since many older individuals with deteriorating health eventually become eligible for Medicaid, the federal and state governments have a large interest in exploring the cost effectiveness of providing a prescription drug benefit to low-income seniors as a means of diverting Medicaid eligibility. Indiana is, therefore, proposing to partner with CMS to extend pharmacy coverage to these individuals through an 1115 Medicaid Waiver for Phase II of its HoosierRx program. Under Indiana's proposal, the expenditures associated with providing prescription drug coverage under the demonstration would be offset by a reduction in acute care and long-term care costs associated with diverting individuals from the Medicaid program. The demonstration would operate for 5 years, beginning approximately July 1, 2002. If, however, the federal government were to enact a program that provided coverage for this same population, Indiana reserves the right to terminate or**

**amend this demonstration.**

**HoosierRx Phase I:**

**Phase I of the HoosierRx program was enacted in 2000, and became effective in October of that year. This program, which operated outside of Medicaid, was built upon the recommendations of the Indiana Prescription Drug Advisory Committee, and was signed into law by Governor O'Bannon. It was designed to be a refund program which reimbursed low-income seniors on a quarterly basis for fifty percent of their prescription drug costs, up to the benefit cap.**

**HoosierRx – Phase II:**

**Legislation enacted in 2002 transformed the HoosierRx program from a refund program to a pharmacy coverage program, and required the State to apply for a Section 1115 waiver to establish this program as a demonstration under Medicaid. As required by statute, a point-of-sale (POS) system is being established which will allow eligibility to be verified instantaneously, and enable enrollees to use their drug card to obtain an immediate prescription drug benefit. The Phase II program will utilize pharmacy benefit management (PBM) tools, such as those used in the private sector, to promote effective and efficient use of pharmaceuticals and improve quality of care.**

**The HoosierRx demonstration will resemble Medicaid in certain ways: the program would cover the same drugs, and the same rates would be paid to pharmacies. However, there would be numerous differences as well: income adjustments would be calculated differently, a benefit cap would apply, cost-sharing requirements would vary, contracts with pharmacies would be negotiated separately and pharmacy benefit management tools may (or may not) differ.**

**Indiana is requesting that the waiver be effective July 1, 2002. This would make the effective date of the waiver consistent with the start date of the Phase II program, the date the PBM is to be instituted, and the approximate date of the establishment of the POS system. Utilizing the same starting date across the board will greatly simplify data collection, measurement and evaluation.**

**Pogram Administration:**

**Indiana will administer the program through the Indiana Family and Social Services Administration (FSSA). HoosierRx will work directly with the Office of Medicaid Policy and Planning (OMPP) to enhance coordination between the two programs.**

**The HoosierRx program staff will be responsible for: processing applications and**

**determining eligibility; notifying applicants of eligibility determinations; developing education programs; coordinating refund payments to enrollees; adopting policies and procedures governing the prescription drug program, including developing procedures for those found ineligible to appeal this determination; and other functions necessary for administering the program. Outside entities will be utilized to perform certain key functions, such as: pharmacy benefit management and the POS enrollment system.**

## II. ASSURANCES

Each of the following items are checked to indicate an assurance:

A. **_X_____ Primary care coordination**. The demonstration includes a mechanism to direct demonstration enrollees utilizing services to sources of basic primary health services to ensure access as needed. Such primary care will include, but is not limited to, medical management related to prescription and non-prescription pharmaceutical products. The State assures that coordination of primary care and demonstration services will take place for all enrollees, and that those individuals who do not qualify for a Medicare primary care benefit will have access to primary care services.

**B. _X_____ Benefits, access to services and cost sharing.** The benefits and rights of the State plan eligibility groups, except for restriction to choice of providers as provided for through a section 1115(a)(1) waiver of 1902(a)(23) through Pharmacy Plus, are as provided for in the State's Medicaid State Plan, Title 42 of the Code of Federal Regulations and Title XIX of the Social Security Act.

**C. _X_____ Budget neutrality.** The Federal cost of services provided during the demonstration will be no more than 100 percent of the Federal cost to provide Medicaid services without the demonstration aggregate cap. The benefits and rights of the State plan eligibility groups are not altered via this demonstration. An Excel budget worksheet is provided that details the budget projections, including with and without waiver cost estimates, information about covered individuals, trend rate information, and includes a narrative description of the calculations.

**D. X_____ Public notice requirements**. The demonstration complies with public notice requirements as published in the Federal Register, Vol. 59, No. 186 dated September 29, 1994 (Document number 94-23960) and Centers for Medicare & Medicaid Service (CMS) requirements regarding Native American Tribe consultation.

## III. STATE ONLY FUNDED PHARMACY PROGRAMS

The following information is provided for currently existing State only funded pharmacy programs. The item that applies is checked:

**A.** **_X____ State Program Subsumed Into Demonstration.** A State only funded pharmacy program(s) named **_HoosierRx_____** currently exists, and it will be subsumed by the demonstration. Below are details about the current State only funded pharmacy program:

1. Income level ceiling. The income level ceiling for participation is **__135 percent (net) FPL** .

2. Program eligibility characteristics. In addition to income ceiling, the program(s) eligibility parameters are **___X__** broad age and/or health conditions, _____ narrow (such as limited to specific disabling conditions), or _____ other (described):

   **HoosierRx covers seniors, age 65 or older, who satisfy the income criteria and also meet the following requirements: have been an Indiana resident for a least 90 days in the past 12 months and who do not have a prescription drug benefit through an insurance plan or Medicaid.**

   **To apply for the program, individuals are required to send a completed application and proof of income to the central HoosierRx/FSSA office. Applications are available from local pharmacists and community organizations, on the HoosierRx Web site, or by request via the toll-free phone number. Individuals enrolled in the program remain eligible for one year. Currently, the State mails renewal applications when the eligibility period is about to expire.**

3. Benefit coverage. The scope of benefits covered under the program(s) is: **__X___** broad (all or most FDA approved drugs), _____ narrow (such as limited to drugs to treat specific health conditions), or _____ other (described):

   **HoosierRx covers all legend drugs covered under the Indiana Medicaid fee-for-service program, and insulin. An annual benefit cap ranging from $500 to $1000 applies on a sliding scale basis. For individuals and couples with incomes up to 100 percent of FPL, the cap is set at $1,000 in benefits per year. Individuals and couples with incomes up to 120 percent of FPL receive up to $750 in benefits per year. And, a $500 annual benefit cap is established for individuals and couples with incomes up to 135 percent of FPL.**

4. Enrollment figures. Currently there are **_approximately 16,000____** enrollees in the

program(s)

.

5. Annual cost. Currently the program expenditures are **$_7 million**____ on an annual basis for the program(s).

6. _**X**____ This proposed demonstration will be an expansion of coverage compared to the current State pharmacy program through:
    a. _____expanding the scope of coverage (e.g. prescriptions available);
    b. __**X**___expanding the pharmacy services available (for example, via a pharmacy or nurse consultant that will provide additional management services);
    c. _____expanding the type and number of individuals eligible
    d. _____expanding funding to assist with premiums and cost sharing;
    e. **X**____ other (described);

**Indiana may consider expanding, after one or two years, the number of individuals served by the program. Such an expansion could be accomplished by raising the income level ceiling, providing wrap-around services for individuals who have other pharmacy coverage, or extending coverage to other low-income seniors who have extraordinary prescription drug expenses. However, before such an expansion can be considered, data yielded from the demonstration must first be collected and analyzed to determine the full impact of the changes in the program, including cost offset implications.**

**B.** ____ **State Program Partially Subsumed Into Demonstration.** A State only funded pharmacy program(s) named _____ currently exists, and will be **partially** subsumed by the demonstration. Below are details about the current State only funded program, and how this will interact with the demonstration:

1. Income level ceiling. The income level ceiling for participation is _____percent FPL.
2. Program eligibility characteristics. In addition to income ceiling, the program(s) eligibility parameters are _____ broad, _____ narrow, or _____ other (described):
3. Benefit coverage. The scope of benefits covered under the program(s) is: _____ broad, _____ narrow, or _____ other (described):
4. Enrollment figures. Currently there are _____ enrollees in the program(s).
5. Annual cost. Currently the program expenditures are $_____ on an annual basis for the program(s).
6. Interaction with the demonstration. The State only funded program and the demonstration will operate simultaneously in the following manner (described):
7. _____ This proposed demonstration will be an expansion of coverage compared to the current State pharmacy program through:
    a. _____expanding the scope of coverage (e.g. prescriptions available);
    b. _____expanding the pharmacy services available (for example, via a pharmacy or nurse consultant that will provide additional management

services));

c. _____expanding the type and number of individuals eligible;

d. _____expanding funding to assist with premiums and cost sharing;

e. _____ other (described):

**C.** _____ **State Program Not Subsumed by Demonstration.** A State only funded pharmacy program(s) named _____ currently exists, will not be subsumed by the demonstration, and will continue to operate during the Pharmacy Plus demonstration operation.

**D.** _____ **No State Funded Pharmacy Program Currently Exists.** A State only funded pharmacy program does not exist in this State.

## IV. PROGRAM ELEMENTS

**Population to Whom Eligibility is Expanded via this Demonstration**

### A. **Income Limit Criteria** (the item that applies is checked):

1. _____ The demonstration covers Medicare beneficiaries, whether or not they are eligible for Medicare Savings programs under Medicaid (e.g. QMBs and SLMBs) and/or people with a disability, who are not eligible for full Medicaid benefits, but whose incomes extend up to and including 200 percent of the Federal Poverty Level (FPL).

2. _____ The demonstration covers Medicare beneficiaries, whether or not they are eligible for Medicare Savings programs under Medicaid (e.g. QMBs and SLMBs) and/or people with a disability, who are not eligible for full Medicaid benefits, but whose incomes are less than 200 percent of the FPL but extend up to and include ____ percent of FPL

3. **_X____** Other (described): **Seniors, age 65 or older, whose income is not greater than 135 percent FPL satisfy the income criteria.**

**B. Assets Test (the item that applies is checked):**

1. _____ There will be an assets tests performed. It is:
   a. _____ the same as Medicaid assets tests for the _____ group
   b. _____ different from assets test in Medicaid (described):

2. __**X**___ there will not be an assets test.

## C. Income Adjustments (the item that applies is checked):

1. __**X**___ There will be adjustments to income. They are:
   a. ___ the same as Medicaid income adjustments for the group
   b.__**X**___ different from income adjustments in Medicaid (described):

   **The program counts income that individuals receive in their monthly Social Security or pension checks, after adjustments are first made for taxes and Medicare Part B premiums. The amount remaining after these adjustments are taken out is the amount the program considers when calculating whether the individual meets the 135 percent of FPL threshold.**

2. _____ there will not be adjustments to income.

**D. Individuals Eligible for the Demonstration.** Table IV.1 below is filled out to indicate the groups of individuals who will be eligible for the demonstration.

| Table IV.1 (all items that apply are completed) | | | | | | |
|---|---|---|---|---|---|---|
| **Eligibility Group** Limited to Medicare beneficiaries and/or non-Medicare beneficiaries with a disability | | **Age Range (a)** | **FPL Range (b)** | **Medicare Beneficiaries (c)** | **Non-Medicare Beneficiaries (d)** | **Specified Subset of Larger Groups (e)** |
| 1 | **Older Adults** | **65 or older** | **135% FPL or lower** | **Yes** | **Yes** | **No** |
| 2 | **Persons with Disabilities (Adults)** | | | | | |
| 3 | **Persons with Disabilities (Children)** | | | | | |

## E. **Enrollment Limit** (the item that applies is checked):

1. __**X**____ Yes; number of enrollees_**30,000**__ and how number derived (described):

   **The enrollment limit was calculated by taking the estimated total number of persons eligible in Indiana (those who meet the income criteria minus those who are currently covered under Medicaid), assuming an approximate 25 to 30 percent participation rate. The purpose of the enrollment cap is to ensure that the State has sufficient funds to cover the costs associated with the program. State costs under the waiver are limited to expenditures appropriated to the Indiana Prescription Drug Account, as required by State statute. Indiana may review the enrollment limit once cost-effectiveness data is collected and analyzed.**

2. _____ No

## F. **Pharmacy Benefit Package** (all items that apply are checked):

1. _____ Since there will be coordination with private health insurance coverage, the services that enrollees receive will be those delivered through their own private health insurance. The demonstration will provide either assistance with private health insurance cost sharing or via the provision of wrap-around services only (see next section on coordination with private coverage).

2. _____ The Pharmacy Plus demonstration pharmacy benefit will be the Medicaid State Plan benefit.

3. _____ The Pharmacy Plus demonstration pharmacy benefit will be lesser in scope, as indicated below, than that provided under the current Medicaid State Plan benefit:

   a. _____ excludes or limits certain classes of drugs (described):

   b. _____ enacts a limitation on numbers or frequency of prescriptions that is not present in Medicaid or is more restrictive than Medicaid (described):

   c. _____ targets treatment of specific conditions consistent with program eligibility (described):

   d. _____ other (described):

4. _**X**____ Other (described):

   **The demonstration would provide a broad pharmacy benefit package. All legend drugs covered under the Medicaid fee-for-service program, as well as**

**insulin, would be covered. Cost sharing requirements, however, would differ from that under Medicaid. Enrollees would pay fifty percent of the cost of the discounted price established by the program. A maximum annual benefit cap of $1000 would be instituted on a sliding scale basis, adjusted for family size and income.**

## G. Pharmacy Benefit Management (all items that apply are checked):

Efficient and effective pharmacy benefit utilization via modern, private sector approaches is an important goal of the Pharmacy Plus Demonstration. Pharmacy Benefit Management is one way to achieve the goal. The following will be used in the demonstration – their use may be expanded to the non-demonstration Medicaid program.

1. ___**X**_ The demonstration will include the same benefit management approaches that ___**X**_ are available, or __**X**__ will be available in Medicaid. For example, prior authorization procedures, formulary exclusions, a pharmacy benefit manager, etc. (described):

   **Medicaid currently has two pharmacy benefit management tools in place (mandatory substitution of generics and a limited prior authorization requirement). In order to promote effective and efficient pharmacy benefit utilization in the HoosierRx program, and to build upon pharmacy management tools under Medicaid, the State is contracting with ACS State Healthcare to manage the pharmacy benefit for the HoosierRx and Medicaid programs. Using a common PBM will improve quality of care for enrollees, maximize efficiencies for the State, provide simplification for the participating pharmacies, and help improve coordination between the Medicaid and Phase II HoosierRx systems.**

   **Given the fact that the programs will share a common PBM, it can be expected that many of the same pharmacy benefit management approaches will be utilized for both programs. As described below, the mandatory generic drug requirement that applies under Medicaid would be transitioned in if the Waiver Application is approved and the HoosierRx program becomes a demonstration under Medicaid.**

2. _**X**___ The demonstration will include different benefit management approaches than are available in Medicaid. These will be implemented to manage services for the expansion population only _ ; for the expansion and State plan population, but provider choice will not be restricted for the State plan population __**X**__; for the expansion and State plan population and provider choice will be restricted for the State plan population (a section 1115(a)(1) waiver of section 1902(a)(23) is requested in section VI below) ____ (describe the affected State plan population):

**Although the HoosierRx program and the Medicaid drug assistance benefit are integrated in many ways, they will nevertheless continue to have certain differences that set them apart from one another, and thus, not all pharmacy management tools may be right for both programs.**

**Indiana does not currently have any plans to institute a pharmacy benefit management tool that would limit, throughout the overall program, the choice of provider for either the State Plan population or the HoosierRx population. Should such mechanisms ever be implemented, a waiver request would be submitted at that time.**

Specific details and information are checked or provided here:

a. **_X___** pharmacy benefit manager (PBM) (described):

**Indiana has procured a vendor, ACS State Healthcare, to provide pharmacy benefit management for the Medicaid and Phase II HoosierRx programs, effective July 1, 2002. ACS will be responsible for establishing private sector approaches for providing efficient and effective pharmacy benefit utilization, and for managing drug rebates.**

**Since the PBM will not be instituted until July 1, the exact approaches that will be utilized to manage the pharmacy benefit have not yet been determined. As described below, however, the program plans to transition in a mandatory generic drug policy, and will place enrollees on a restricted card in certain cases where there is a potential for abuse. It is also anticipated that some form of drug utilization and review (DUR) will be utilized.**

b. **_X___** prior authorization (described):

**HoosierRx is not planning on requiring that enrollees receive prior authorization in most instances. However, after the program transitions in the mandatory generic drug policy, prior authorization will be needed in cases where the prescribing physician indicates that a brand name is medically necessary.**

**A.** ____ formulary or formulary exclusions (described):

**B.** **_X___** other (described):

**The HoosierRx program does not currently place restrictions on benefits. However, if the waiver application is approved and a demonstration is established, HoosierRx will transition to a mandatory generic drug requirement as is required under Medicaid. This policy would restrict brand**

**name drugs except in instances where a physician determines that a brand name is medically necessary, and the requisite prior authorization is obtained.**

**Further, a restricted card will be instituted in certain situations where there is a identified potential for abuse, such as: where recipients are utilizing multiple pharmacies and/or prescribing physicians, or where controlled substances are involved. The restricted card will require these enrollees to establish one pharmacy as their medical home. This requirement will only apply in limited instances, and will not affect most beneficiaries.**

3. ____ The demonstration will not include benefit management approaches. Benefit management ____ is or ____ is not included in non-demonstration Medicaid.

4. ____ other (described)

## H. Coordination with Other Sources of Pharmacy Coverage – Private, State, and Medicare Plus Choice Plans

Coordination with and the financial support of other sources of health insurance is an important feature of the Pharmacy Plus Demonstration. It maintains the position of Medicaid as payor of last resort, provides incentive for enrollees' continued participation, and supports the maximization of participation in private insurance, employer sponsored insurance, COBRA, retirement health insurance plans, Medigap plans and Medicare Plus Choice plans. Pharmacy Plus works effectively with other Medicare pharmacy options.

The coordination and support can be:

- Actuarial equivalent payments to private carriers or to enrollees that are made on behalf of Pharmacy Plus enrollees – the payments made in lieu of the Pharmacy Plus program directly providing pharmacy coverage; and
- In the form of providing wraparound pharmaceutical coverage to bring private sources of pharmacy coverage up to the level of the Pharmacy Plus benefit coverage.

In this demonstration, the following approaches will apply (all items that apply are checked):

1. _____ Subsidies/cost sharing assistance for private health insurance coverage will be provided under the demonstration. The payment amount will reflect the scope and cost of pharmacy coverage in the private health insurance coverage and the cost of coverage in Pharmacy Plus, which includes enrollee cost sharing requirements. The process for the Subsidy will be described in the operational protocol and approval of the payment methodology and amount will be requested of CMS. Subsidies/incentives for enrollees to maintain coverage of the following will be

provided including:

a. _____ Private health insurance coverage (described):

b. _____ Medigap (described):

c. _____ Medicare endorsed pharmacy discount cards. The demonstration includes financial contribution towards the drugs purchased using the card (coordination with the card and contribution to the purchase are described):

d. _____ other (described):

2. _____ Pharmacy coverage will be provided to enhance other sources of pharmacy coverage, such as State programs, Medicare Plus Choice and private sources of coverage in a wraparound fashion in order to encourage participation in existing public and private sources of care (described):

3. _____ Third party liability information will be gathered from enrollees and funds recovered.

4. _____ Other (described):

5. _**X**____ Coordination with other sources of coverage is not part of this demonstration.

**The primary coordination issue for Indiana will be ensuring that applicants are not enrolled in the program if they have other prescription drug coverage. To help the State determine whether an individual is eligible, the HoosierRx application contains numerous questions regarding insurance coverage. This information will signal instances where applicants already have insurance that includes a pharmacy benefit. Information received on the application would also help distinguish between instances where the applicant has prescription drug coverage and cases where the individual merely has a discount drug card. A discount card is something that the State encourages, and holding such a card would not prevent individuals from enrolling in the program.**

**Since individuals who have insurance that includes a drug benefit would not be eligible for the HoosierRx program, ensuring that Medicaid is the payor of last resort should not pose a problem. Indiana also does not expect crowd-out to be an issue because the pharmacy benefit under the demonstration would not be as large as that typically found through other insurance plans. Applicants are informed of this fact on the application; and, therefore, they are not likely to drop their other insurance coverage in order to access drug coverage under the demonstration.**

## I. Primary Care Coverage and Related Medical Management (all items that apply are checked):

The demonstration includes a mechanism to ensure that demonstration enrollees utilizing services have coverage of basic primary care health services that will assist with medical management related to pharmacy products prescribed. This will take place in the demonstration in the following way:

1. __**X**___ Demonstration enrollees who have a source of coverage for primary care will not be provided primary care through the demonstration, but rather have services coordinated via medication management with the pharmacy benefit. Refer to Appendix A. Below is a description of how these benefits will be coordinated (described):

   **Indiana will utilize the PBM to coordinate the medication management of individuals who already have a source of primary care coverage. Since the PBM will not be effective until the Phase II program is instituted on July 1, 2002, the exact tools that will be used for medication management have not been determined.**

   **However, since the HoosierRx program provides the State with a key opportunity to improve quality of care by detecting problems related to prescription drug therapy and educating seniors about this issue, it is expected that prospective and retrospective DUR will play a critical role in medication management. A DUR system would be instrumental in improving quality of care by detecting drug to drug interactions, therapeutic duplication, drug-allergy interaction, drug-disease contraindications, early/late refill, inaccurate dosage, and other types of inappropriate utilization. As such, a DUR system would be a key medication management tool as it would be instrumental in improving health status, and helping divert enrollees from Medicaid.**

2. _____ Demonstration enrollees who do not have a source of primary care coverage will be provided services through the demonstration as follows:

   a. _____ The primary care services benefit will be the same as that in Medicaid (described):
   b. _____ The primary care benefit of _____ number of visits per _____, which entail the following services provided by _____ practitioners: _____.
   c. ____ Primary care access will be ensured by connecting clients to primary care sources for care (i.e. FQHCs/RHCs or Ryan White providers). Refer to Appendix A.

d. _____ Other (described):

3. _____ Coverage of primary care services will be attained by combining the above approaches. Refer to Appendix A. Above, both are checked and described, and each applied to the appropriate populations.

4. _____ Other (described)

**J. Premiums and Cost Sharing Information** (all items that apply are checked):

Flexibility to include premiums and cost sharing, such as what may replicate that found in employer sponsored private health insurance coverage, is an important feature of the Pharmacy Plus Demonstration. Also, an important feature is design benefits that provide less first-dollar coverage in favor of protection against catastrophic drug costs. Enrollee cost sharing can be in the form of annual or monthly premium assessments, per-prescription copayment requirements, deductibles and coverage limits. It eases the challenge of operating budget neutral program and encourages personal independence since enrollees will remain involved in all facets of their health care, including financially.

1. **_X____** The proposed program will include enrollee cost sharing (premiums, copayments, deductibles, etc.):

   a. _____ Premiums will be required (premiums are strongly suggested when including higher income categories):

      i. ____ Premiums are tiered or charged according to a sliding fee schedule that is ____ attached or ____ described below:
      ii. ____ Premiums are fixed in the amount of $ _____ per person on a _____ monthly basis, _____ annual basis, or _____ other (described):

      iii. ____ Other (described):

   b. **_X____** Copayments:

      i. in the amount of **_50 percent of the HoosierRx rate**____ per prescription or
      ii. ____ Beneficiaries will have different co-payments for single source, branded multi source, and generic drugs, according to the following schedule (described) :
      iii. Brand name: $____ per prescription or ____ percent of the cost.
      iv. Branded multi-source: $____ per prescription or ____ percent of the cost.

v. Generic: $____ per prescription or ____ percent of the cost.

**Under Phase II, enrollees will pay fifty percent of the cost of the prescription drugs, as they did under the Phase I program. However, out-of-pocket costs will actually be reduced, as participating pharmacies will accept discounted rates. These HoosierRx rate will apply both before and after the annual benefit cap is met, so enrollees will be able to take advantage of the discount even if they have already met the benefit cap. Payment rates to pharmacies under HoosierRx are expected to be the same as they are under Medicaid.**

**Enrollee pays:**
**Average Wholesale Price – 13.5 percent for brand name drugs + $4.90 dispensing fee = total price – 50 percent.**

**Average Wholesale price –20 percent for generic drugs +$4.90 dispensing fee = total price – 50 percent.**

c. _____ Deductibles (described):

d. _____ Cost sharing requirements will vary with utilization (premiums, copayments, etc., other than deductibles):
   i. _____ Cost sharing amounts/requirements will decrease as individuals utilize more services (describe
   ii. _____ Cost sharing amounts/requirements will increase as individuals utilize more services (described):
   iii. _____ Other (described):

2. _____ The proposed program will not include enrollee cost sharing that differs from that in the Medicaid State Plan.

3. _____ The proposed program will include enrollee cost sharing stop-loss protections (describe):

4. _____ Other (described):

## K. The Demonstration will Deliver Services in the Following Manner (all items that apply are checked):

1. _____ Services will be delivered through private health insurance coverage.

2. _____ Services will be delivered Fee-for-Service through this demonstration.

3. _____ Services will be delivered via a system other than Fee-for-Service through this demonstration (described):

4. _____ Services will be delivered through this demonstration via the same network of providers that deliver comparable services to Medicaid beneficiaries.

5. _____ Services will be delivered through this demonstration via a subset of providers that deliver services to Medicaid beneficiaries.

6. ___ Services will not be delivered via providers that serve Medicaid beneficiaries. The demonstration providers will be _ , and these providers will be selected provide services under the demonstration utilizing a _____ procurement process.

7. ___**X**__ Other (described):

**Services will be provided through pharmacies that agree to accept the discounted program price and participate as HoosierRx providers. Under the Phase I program, a provider network was not utilized because enrollees purchased their medications and submitted their refund certificates to the State for reimbursement.**

**Under the Phase II program, however, a provider network will be established. In order to increase access for enrollees, HoosierRx will accept any provider willing to comply with the program requirements. Since HoosierRx will pay the same rates as are paid under the Medicaid program, Indiana expects that pharmacies that currently participate in the Medicaid prescription drug program will participate under the HoosierRx drug program as well. However, these contracts are separately negotiated, and, thus, pharmacies are free to decide whether to participate or not.**

## V. BUDGET NEUTRALITY

**Indiana's proposal would comply with the budget neutrality requirements of an 1115 waiver. Expenditures incurred under the demonstration would be offset by diverting individuals from Medicaid eligibility. This cost offset is demonstrated in the charts that follow.**

**A. Impacted Budget Neutrality Population.** Table V.1 below is filled out to indicate the Medicaid population that is the impacted budget neutrality population.

| Table V.1 (check all groups that apply): | | | | |
|---|---|---|---|---|
| Population | All (1) | Institutionalized (2) | Community Dwelling (3) | Other (described): (4) |
| Aged | **X** | | | |
| Blind/Disabled Adults | | | | |
| Blind/Disabled non-Adults | | | | |

A. .**Costs**. The State estimates the services cost of this program will be **$_97.6 million_** over its **_5 _** year demonstration period.

Refer to attached Excel spreadsheet for details.

## VI. EXPENDITURE AUTHORITY

**The Following Authority is Needed for this Demonstration Under Costs not Otherwise Matchable** (item is checked to verify the request):

**A.** _____ Section 1115(a)(1) authority of the Social Security Act is requested to enable the State to restrict freedom of choice of provider through a method such as Pharmacy Benefit Management

**B.** ___**X**__ Section 1115(a)(2) authority of the Social Security Act is requested for the following expenditures to be made under the **_HoosierRx_____** demonstration (which are not otherwise included as expenditures under section 1903) for the period of the demonstration to be regarded as expenditures under the Title XIX program:

Expenditures for extending pharmacy benefits __for **_older** _ individuals **_(age 65 and above)____** at or below **_135_** percent of the Federal Poverty Level (FPL) who are Medicare eligible.

**Initially, the program will not pursue Estate Recovery; however, this policy may be reconsidered once program data is available.**

In addition, the following will <u>not</u> be applicable in this demonstration:

- *Premiums and Cost Sharing under Section 1916*: To permit fixed premiums, and

cost sharing that is more than nominal, to be imposed on and collected from demonstration participants.

- *Amount Duration and Scope of Services under Section 1902(a)(1O)(B):* To permit the State to offer demonstration participants benefits that are not equal in amount, duration and scope to other Medicaid beneficiaries.

- *Retroactive Eligibility under Section 1902(a)(34):* To permit the State not to offer demonstration participants retroactive eligibility.

- *Premiums under Section 1902(a)(14):* To permit the State to impose on and collect premiums from demonstration participants in excess of those that would be permitted under section 1916.

## VII. ADDITIONAL REQUIREMENTS

In addition to the above requirements, the State agrees to the Pharmacy Plus Model Special Terms and Conditions (STCs) of Approval, and agrees to prepare the Operational Protocol document as described in the Model STCs. During CMS's review and consideration of this demonstration request, using the Model STCs, we will work with CMS to develop STCs that are specific to this request that would become part of the approval of demonstration authority.

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June 28, 2002 John Hamilton, Secretary, Family and Social Services Administration